

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

A284.3
M34

UNITED STATES
DEPARTMENT OF AGRICULTURE
LIBRARY



BOOK NUMBER

A284.3
M34

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

CHANGES IN FARM-RETAIL PRICE SPREADS FOR FARM FOOD PRODUCTS 1/

In the third quarter of this year the retail cost of the farm foods in the "market basket" was at an annual rate of \$983, about 1 percent less than in the same quarter last year (table 1). 2/ The farm value (or the payment received by farmers for equivalent farm products) was \$393, down 7 percent from a year earlier. Marketing charges, as measured by the marketing margin, had increased 3 percent during the year, to \$590, a record quarterly average. 3/

In the second and third quarters of this year, the retail cost advanced, the farm value declined, and marketing charges widened. Marketing charges increased \$18 from the second to the third quarter. This was the largest quarter-to-quarter increase since the third quarter of 1950.

Preliminary estimates indicate that the farm value declined about 3 percent from mid-September to mid-October. But marketing charges increased so the retail cost did not decline as much as the farm value.

Marketing charges (or marketing margins) for all major product groups in the market basket were higher in July-September of 1955 than a year earlier. However, the meat products, bakery and cereal products, and fruits and vegetables groups accounted for most of the increase in the total for the market basket. Percentage increases ranged from less than 0.5 percent for poultry and eggs to 5 percent for meat products.

The farm value of each of the product groups except poultry and eggs was lower in the third quarter than in the same period of 1954. The meat products group accounted for much of the reduction in the total farm value of the market basket. Percentage decreases ranged from less than 0.5 percent for dairy products to 19 percent for the fats and oils group.

Retail costs of the meat products, fats and oils, fruits and vegetables, and miscellaneous products groups were lower in the third quarter than a year before. These decreases were about offset by increases for the poultry and eggs, dairy products, and bakery and cereal products groups.

1/ Data for individual products are given in the 1956 Outlook Issue of The Marketing and Transportation Situation. The Outlook Issue gives an account of recent trends in costs incurred by marketing firms.

2/ The "market basket" contains the average quantities of farm-produced food products purchased for consumption at home by urban wage-earner and clerical-worker families in 1952.

3/ The marketing margin is the difference between the retail price paid by the consumer and the payment to the farmer for equivalent products.

The farmer's share of the retail cost of the market basket was 40 cents in the third quarter of this year compared with 42 cents in the same quarter last year. More than half this decrease in the farmer's share resulted from the reduction in the farm value, the remainder from the increase in the marketing margin.

Meat Products

In the third quarter of 1955 the farm value for Choice grade beef was 7 percent less than a year earlier but marketing charges were 10 percent higher. The farm value of pork products was down 20 percent but marketing charges were up 2 percent. The average retail prices of beef and pork were down 1 and 10 percent, respectively.

Dairy Products

The retail cost, farm value, and marketing charges for the dairy products group were relatively stable during the year that ended with the third quarter of 1955. But significant changes occurred for some of the individual products. Retail prices and marketing charges for butter and cheese were slightly higher than in the third quarter of 1954 but the farm values of these products had not changed significantly. Marketing charges for evaporated milk and ice cream were slightly lower.

Poultry and Eggs

Marketing charges for broilers and eggs were about the same in the third quarter as a year earlier. Prices at both the farm and retail levels were considerably above the averages in the third quarter last year.

Bakery and Cereal Products

Marketing charges for the bakery and cereal products group have risen almost steadily since World War II. The average in July-September of this year was 4 percent higher than the year before. This increase more than offset an 8-percent decrease in the farm value, so the retail cost increased slightly.

Fruits and Vegetables

Marketing charges for the fruits and vegetables group were 3 percent higher in the third quarter than in the same period of 1954. This almost offset an 11-percent reduction in the farm value, so the retail cost was only slightly lower than a year earlier. The increase in marketing charges was for the fresh products in the group as marketing charges for the processed products had not changed significantly.

Fats and Oils

A 2-percent increase in marketing charges for the fats and oils group only partially offset the 19-percent decrease in the farm value, so the retail cost was 5 percent less in the third quarter than a year earlier.

Table 1.- Retail cost of a market basket of farm foods and of component product groups, farm value, marketing margin, and farmer's share of retail cost, July-September 1954 and 1955

Product	Change			
	July-Sept.	July-Sept.	July-Sept.	July-Sept.
	1954	1955	1954	1955
			Actual	Percentage
	Dollars	Dollars	Dollars	Percent
Retail cost				
Market basket	994.92	983.35	-11.57	- 1
Meat products	268.17	252.24	-15.93	- 6
Dairy products	179.96	180.92	.96	+ 1
Poultry and eggs	102.09	108.69	6.60	+ 6
Bakery and cereal products	148.04	150.12	2.08	+ 1
All fruits and vegetables	210.24	207.53	- 2.71	- 1
Fats and oils	44.82	42.61	- 2.21	- 5
Miscellaneous products	41.60	41.24	- .36	- 1
Farm value				
Market basket	421.69	393.25	-28.44	- 7
Meat products	155.49	133.48	-22.01	-14
Dairy products	82.34	82.29	- .05	1/
Poultry and eggs	64.23	70.66	6.43	+10
Bakery and cereal products	32.37	29.79	- 2.58	- 8
All fruits and vegetables	64.26	57.51	- 6.75	-11
Fats and oils	15.53	12.59	- 2.94	-19
Miscellaneous products	7.47	6.93	- .54	- 7
Marketing margin				
Market basket	573.23	590.10	16.87	+ 3
Meat products	112.68	118.76	6.08	+ 5
Dairy products	97.62	98.63	1.01	+ 1
Poultry and eggs	37.86	38.03	.17	1/
Bakery and cereal products	115.67	120.33	4.66	+ 4
All fruits and vegetables	145.98	150.02	4.04	+ 3
Fats and oils	29.29	30.02	.73	+ 2
Miscellaneous products	34.13	34.31	.18	+ 1
Farmer's share				
	Percent	Percent	Percent	
Market basket	42	40	- 2	
Meat products	58	53	- 5	
Dairy products	46	45	- 1	
Poultry and eggs	63	65	2	
Bakery and cereal products	22	20	- 2	
All fruits and vegetables	31	28	- 3	
Fats and oils	35	30	- 5	
Miscellaneous products	18	17	- 1	

1/ Less than 0.5 percent.





